



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

For Immediate Release:

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House Terrorism Insurance Bill Continues to Pick Up Support

The Terrorism Risk Protection Act, a bill introduced by House Financial Services Committee Chairman Michael G. Oxley and Capital Markets Subcommittee Chairman Richard H. Baker to address the availability and affordability of terrorism insurance picked up more support.

The bill, H.R. 3210, is scheduled for Committee markup today at 10 a.m. in room 2128 of the Rayburn Building.

The following have joined the list of organizations voicing support for the bill or urging its consideration by the Committee:

- American Council of Life Insurers
- Americans for Tax Reform
- The Chubb Corporation
- Consumer Federation of America
- Employers Reinsurance Corporation
- Financial Services Roundtable
- The Hartford
- Kemper
- Liberty Mutual
- National Association of Insurance and Financial Advisors (NAIFA)
- Reinsurance Association of America
- USAA
- Zurich

In a letter to the Committee, the Consumer Federation of America said H.R. 3210 has several advantages and is fair to consumers, insurers and taxpayers.

“The Consumer Federation of America strongly supports this approach because it guarantees that insurance coverage for terrorism will be available while protecting taxpayer and consumer interests,” wrote Director of Insurance J. Robert Hunter and Legislative Director Travis B. Plunkett.

Chairman and CEO of The Chubb Corporation, Dean R. O’Hare, wrote that the Oxley-Baker approach provided an “ingenious method for spreading terrorism risk.”

Financial Services Roundtable President Steve Bartlett wrote, “H.R. 3210, the ‘Terrorism and Risk Protection Act of 2001,’ is a novel and comprehensive approach to pricing and spreading the risk of insuring against acts of terrorism. Specifically, the assessment mechanism could ensure that smaller insurers are not disadvantaged vis-à-vis larger, better-capitalized companies. The assessment mechanism also acts informally to combine insurer resources in a way that allows the free market to remain in tact to the greatest extent possible. Provisions that provide regulatory relief and a uniform definition of terrorism are an integral part of ensuring the uniform availability of coverage across the country. Finally, the provision that encourages insurers to set aside reserves recognizes that the issue may be a long-term problem in need of long-term solutions.”

Writing to Chairman Oxley USAA Federal Legislative Affairs Vice President Christopher C. Seeger said the Terrorism Risk Protection Act “represents an immediate response to the potential market disruption we are all trying to forestall. USAA has long been an advocate of tax incentives for companies to create dedicated reserves for payment of specific high-level losses. We praise your inclusion of this concept in the package. USAA also is strongly supportive of the legislation’s initiation of an early federal backstop for terrorism-related coverage and minimization of the long-term exposure of taxpayers to large losses.”

Employers Reinsurance Corporation Chairman, President and CEO Ronald R. Pressman wrote, “Your legislation confirms the need for Congress to act, and we strongly support many of the provisions in your bill. For example, the per company retention concept is critical to the industry’s ability to underwrite in this area. The uniform definition of terrorism, tax advantaged reserve set aside, facilitation of rate filings and the claims consolidation and litigation limitation provisions are also extremely positive.”

Americans for Tax Reform released a statement that read in part, “Foremost among the proposals is H.R. 3210, the Terrorism Risk Protection Act, offered by Rep. Michael Oxley and 30 cosponsors. This legislation is an excellent first step in the right direction. By providing insurers with a government-supported safety net to encourage them to offer coverage for acts of terrorism, yet not offering them a (nearly) blank check to cover their largest payouts at taxpayers’ expense, H.R. 3210 is a more taxpayer-friendly bill than many of the competing policy drafts circulating through D.C.

“Unlike several of the other reinsurance proposals, the Oxley, et. al. bill would require that those insurers receiving help repay the government (i.e. the taxpayers). Moreover, it’s not permanent: the arrangement would automatically sunset on January 1, 2003 – or January 1, 2005 if the appropriate administrator deems such an extension necessary. And (arguably) best of all, the legislation would obliterate the indefensible tax penalty against insurance companies holding reserves for man-made catastrophes.”

David B. Mathis, Chairman of the Board and CEO of Kemper Insurance Companies said, “Kemper shares your commitment to the development of a mechanism which will ensure the stability of the insurance market place.”

American Council of Life Insurers Government Relations Senior Vice President Philmore Anderson and Federal Relations Deputy Vice President Kimberly Olson Dorgan wrote, “The American Council of Life Insurers is grateful for your efforts to develop legislation maintaining the market for terrorism insurance coverage. We believe the Oxley/Baker bill provides a positive framework for addressing this important issue.”

Reinsurance Association of America President Franklin W. Nutter wrote that H.R. 3210, “has a number of worthwhile features: the focus on the ability of individual insurers to retain loss above which a federal risk sharing role is provided; a uniform definition of terrorism for purposes of coverage; and a provision addressing state rating laws.”

Hartford Chairman and CEO Ramani Ayer wrote, “I particularly want to commend your recognition of the need to limit an individual company’s retention of terrorism risk in the absence of reinsurance. While I am still thinking through the mechanics of your bill, it has many strong features and represents a positive step forward.”

Liberty Mutual Senior Vice President and Chief Public Affairs Officer Paul Mattera said, “H.R. 3210 is a thoughtful and constructive effort to provide the necessary structure and federal backstop to make it possible for terrorism insurance to be offered in the future.”

Constantine Iordanou, Senior Executive Vice President at Zurich Financial Services, wrote, “H.R. 3210 addresses this situation by facilitating the spreading of risk at loss levels that reflect the risk-by-risk capital allocations that insurers make in the marketplace. The company-specific trigger and pro-rata risk sharing formula are critical elements to addressing this crisis from the perspective of individual policyholders, not just aggregate industry-wide losses. Absent such provisions, significant market disruptions could still occur, as insurers would be forced to limit their exposures to terrorism risks below any broad industry aggregate.

“This critical feature, coupled with the consistency provided by other provisions, marks H.R. 3210 as a constructive and responsible proposal that warrants your support at this stage in the legislative process. Zurich does have concerns over the ultimate financial burden imposed by the repayment features, but looks forward to addressing these with you and the Committee’s leadership as the process moves forward. Simply put, the marketplace can not withstand more delays.”

The National Association of Insurance and Financial Advisors also expressed their support for H.R. 3210. “The measure responds to the immediate insurance crisis, as a majority of contracts will expire at the end of the year, and provides a sensible approach to stabilize the insurance industry.

“H.R. 3210 provides many safeguards to prevent an exclusion or reduction in coverage for acts of terrorism. The cost-sharing mechanism found in the bill will help overcome the short-term market disruption and, at the same time, encourages rebuilding of the market over the long-term,” wrote Government Affairs Vice President David A. Winston and Legislative Affairs Director Heather Eilers-Bowser.

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